



January 18, 2017

The Hon. Jorge O. Elorza
Mayor

Ricky Caruolo
General Manager

Mrs. Luly Massaro
Commission Clerk
RI Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

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RE: Dk 4618: Commission Set 2

Dear Mrs. Massaro:

Enclosed please find an original and nine copies of Providence Water's responses to the second set of data requests from the Commission.

If you have any questions I can be reached extension 7217.

Sincerely,

Mary L. Deignan-White
Senior Manager of Regulatory

cc: service list(via email)

MEMBER

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PROVIDENCE WATER SUPPLY BOARD

Docket No. 4618

Data Requests of the

Commission- Set 2

January 4, 2017

COMM 2-1 Please provide a budget and timeline for the proposed \$250,000 lead education program. Referencing Mr. Caruolo's direct testimony on page 5 at lines 19-23, please explain what Providence Water proposes to include in this line item that is not already provided to customers.

Response: As discussed in our response to Commission's data request 1-11, at the time of the rate filing, one of Providence Water's biggest challenge was educating our ratepayers on the issues of lead. However, the water crisis in Flint Michigan, and the national attention that has garnered, raised awareness, within our customer base, of the lead in water issue. As such Providence Water feels that the \$250,000 would be better allocated to developing a full lead service replacement demonstration program whereby we provide no interest loans to our customers.

The Environmental Protection Agency (EPA) is currently considering changes to the Lead and Copper Rule (LCR). In October of 2016, The EPA issued a white paper on Lead and Copper Rule Revisions. Within that document, EPA states the following.

"The NDWAC (National Drinking Water Advisory Council) has recommended that the Agency require proactive full LSLR (Lead Service Line Replacement) programs with the following elements:

- Requiring all PWSs (Potable Water Supply) to establish a LSLR program that effectively informs and engages customers to encourage them to share appropriately in fully removing LSLs"

The report goes on to say, "a number of cities and towns across the nation have successfully implemented full LSLR and have developed innovative approaches to addressing these challenges, including Lansing, Michigan; Madison, Wisconsin; and more recently Boston, Massachusetts – and EPA is looking at this experience in the context of developing proposed revisions to the LCR."

The Boston Water and Sewer Commission (BWSC) currently offers their customers a credit of \$2,000 to replace the private side of the lead service with 48 months interest free to cover the balance of the cost. Conversely, Providence Water currently offers customers the option of having Providence Water cover the cost of the private side lead replacement and

PROVIDENCE WATER SUPPLY BOARD

Docket No. 4618

Data Requests of the

Commission- Set 2

January 4, 2017

having the customer repay the cost of the replacement through their water bill. The customers are charged 1% interest and are required to pay this back within a year.

The average cost of a private side replacement is approximately \$2,400. Because of this cost, only 2% of our customers have replaced the private side of the lead service when Providence Water replaces the public side of the lead service. To meet the proposed EPA requirements, Providence Water is hopeful that if we provide a no interest loan to our customers and spread the payments over a longer period of time, we would significantly increase the amount of private lead services that are replaced. Providence Water still has approximately 13,000 full lead services lines and we estimate that there are at least 11,000 partial lead services (on the private side) that remain in our distribution system. We realize that this funding will not cover all the private side lead service replacements, but is sufficient enough to demonstrate the effectiveness of this program.

Providence Water spoke to the BWSC about their program. In 2015, BWSCs LSLR incentive was a \$1,000 credit with 24 months interest free to pay the remaining balance. It was early 2016 when BWSC changed to the incentive listed previously. Based on data provided by BWSC, 53 lead services were removed in 2015 (in the months of August, September and October) with 108 lead services removed in 2016 (in the months of August, September and October).

PROVIDENCE WATER SUPPLY BOARD

Docket No. 4618

Data Requests of the

Commission- Set 2

January 4, 2017

COMM 2-2 What analysis did Providence Water conduct to determine how the lead education program will lead to additional participation in lead replacements by homeowners and landlords?

Response: See response to COMM 2-1

PROVIDENCE WATER SUPPLY BOARD

Docket No. 4618

Data Requests of the
Commission- Set 2
January 4, 2017

COMM 2-3 How did Providence Water determine that writing down the one percent interest rate to zero for on-bill financing of the lead replacements will lead to additional participation?

Response: As stated in the response to COMM 2-1, BWSC saw an increased participation level in the Lead Service Line Replacement (LSLR) program when they increased the financial incentive. It is Providence Water's intent to mimic BWSCs success by providing financial incentive to increase LSLR program participation.

PROVIDENCE WATER SUPPLY BOARD

Docket No. 4618

Data Requests of the
Commission- Set 2

PUC 2-4: Please provide a breakdown of all rebates Providence Water sought and will receive either from the National Grid Energy Efficiency funds or any other program for the high efficiency measures being installed at the Central Operations Facility. If none were sought or included in the budget, please explain why not.

RESPONSE: Providence Water sought and applied for lighting incentives for the Central Operations Facility during the design development of the project. It is Providence Water's intent to upgrade all existing lighting with high efficiency fixtures and controls. National Grid is currently working on an incentive package for Providence Water's review and approval prior to any purchase. The amount of the rebate or incentive has not been determined.

PROVIDENCE WATER SUPPLY BOARD

Docket No. 4618

Data Requests of the
Commission- Set 2

PUC 2-5: Did Providence Water seek any grants to assist in the capital cost of installing the solar panels? If not, why not? If so, what was the result?

RESPONSE: Providence Water has explored opportunities with Commerce RI and the RI Office of Energy Resource for grants and assistance with the installation of the solar panels. Providence Water did apply for a grant with Commerce RI for \$350,000.00. The application is pending and if a grant is awarded, it is anticipated that the funds will be available at the completion of the project.

Providence Water Docket 4618

Data Requests of the Commission Set 2

PUC 2-6: What is the relationship between the proposed inflationary factor and the cost of City service expenses? What is the rationale for seeking to apply an inflationary factor for an expense that was approved?

Response: The allocated City Services costs are mainly driven by salaries and benefits (health care, pension costs, payroll taxes, union pensions, etc.) of the various City Departments that provide services to Providence Water. Therefore, looking at the salary increases from July 2008 (the last time The City Services Expense was increased) through the rate year would provide a conservative indication of how City service costs that were previously allocated to Providence Water in 2007 have increased. The contractual wage increases reflect known changes to underlying City costs that have increased. The contractual increases from 2008 through our rate year (calendar year 2017) amount to approximately 14%.

The last increase to City Services granted by the Commission was in Docket 3832. (Rate increase at November 1, 2007) The Commission's order stated:

Therefore, the Commission determines that the best approach is to take the last amount approved as just and reasonable for calendar year 2006 and to adjust it upward by the inflation percentage utilized for certain other expenses in the filing to reach an appropriate expense for calendar Year 2008." [PUC order No. 19145, page 70]

Noting the Commission's previous use of an inflation factor, we applied the inflation index used in our filing-- the change in the Consumer Price Index—All Urban Consumers (CPI-U) for the period 2009 through 2016. This resulted in an approximate increase of 13%--an increase *slightly less than* the contractual wage increases noted above. We note that actual wage increases for City employees would have been higher than the amount in the contractual increases, as they would have included step increases that are inherent in the City's and Providence Water's salary scale. Also, the wage increase shown for the period that we used as a reasonableness 'check' on the CPI does not reflect other known increases for personnel costs, such as pension and health care costs that also increased during the period.

Providence Water Docket 4618

Data Requests of the Commission Set 2

PUC 2-7: What analysis of the current City Service expense allocations from each City department did Providence Water conduct to determine that the previously approved City Service expense should be increased?

RESPONSE: There is no detail analysis of current City Service Expenses allocable to Providence Water. City Service Expense was last increased by the Commission in Docket 3832 for rates effective November 1, 2007. There has been discussions with the City Finance Office regarding expenses the City has incurred that would impact the cost of services provided to Providence Water since 2007 (i.e. wage increases, pension costs, actuary fees, costs of the City relating to Human Resources, etc.).

Providence Water Docket 4618

**Data Requests of the
Commission
Set 2**

PUC 2-8: Has Providence Water or the City of Providence developed a cost allocation manual to support the level of City Service expense paid by Providence Water?

RESPONSE: No. There is no cost allocation manual or guidelines developed by the City or by Providence Water since the filing in Docket 3832 in 2007.

PROVIDENCE WATER SUPPLY BOARD

Docket No. 4618

Data Requests of the
Commission- Set 2

PUC 2-9: Please explain what the mlog system is for monitoring for distribution system leaks and how leaks are detected using this system.

RESPONSE:

Providence Water currently has 9338 leak sensors (Logs) installed throughout the water distribution system. The installation project started in March of 2010 and ended in June of 2012. Providence Water continues to collect data each day in conjunction with our daily meter reading. The data is uploaded at the end of each working day.

The data is shared with Providence Water Transmission and Distribution Department and leaks are investigated and repairs are scheduled.

Each leak sensor can be viewed on-line through M-Log on-line which is hosted by Itron Technology. Each sensor will be given a different color depending on its status. If the sensor is red this indicates that it is a strong possibility that a water leak is somewhere in the immediate area. If the sensor is yellow, there is a possible leak in the immediate area and if the sensor is gray, the leak sensor has not been read in 30 days.

PROVIDENCE WATER SUPPLY BOARD

Docket No. 4618

Data Requests of the
Commission- Set 2

PUC 2-10: Are any leak detection costs being funded through the AMR restricted account beyond those related to the mlog system? If so, please itemize them and explain how long they have been charged to this account.

RESPONSE: No.

PROVIDENCE WATER SUPPLY BOARD

Docket No. 4618

Data Requests of the
Commission- Set 2

PUC 2-11: Please provide a copy of Providence Water Supply Board's enabling legislation.

RESPONSE:

See attached : PUC 2-11A and PUC 2-11B.

PROVIDENCE WATER SUPPLY BOARD

Docket No. 4618

Data Requests of the
Commission- Set 2

PUC 2-12: Please provide a copy of the City of Providence Charter highlighting all references to Providence Water Supply Board.

RESPONSE:

See attached : PUC 2-12A.

ARTICLE XI. BOARDS AND COMMISSIONS*

1101.	Water supply board.
1102.	Board of licenses.
1103.	Human relations commission.
1104.	Civic center authority.
1105.	Commissioners of the Dexter Donation.
1106.	Charles H. Smith Estate.
1107.	Providence Housing Authority.
1108.	Providence Redevelopment Agency.

1101. Water supply board.

There shall be a water supply board which shall consist of the director of finance, ex officio, and six (6) other members, four (4) of whom shall be appointed by the mayor for four-year terms arranged in such a manner that the term of one appointed member shall expire annually and two (2) of whom shall be elected by the city council from among its members to serve for a term of four (4) years. The city council may elect members to the water supply board who are not presently members of the city council, provided that such members serve a term concurrent with the term of the city council. Annually at its first meeting following the qualification of new members, the board shall elect one of its appointive members to serve as chairperson. In the event of a vacancy in the office of chairperson, the board shall fill the vacancy for the balance of the term. No member of the board shall continue in office after his or her term expires without being reappointed by the mayor or re-elected by the city council as the case may be.

(a) *Powers and duties.* The powers and duties of the water supply board shall include, without limitation, the following:

- (1) To supervise, manage and control water collection, storage, purification, and distribution system of the city and other areas within its jurisdiction;

*Cross references—Board of canvassers, § 203; salary review commission, § 415; school board, § 701; board of tax assessment review, § 814; board of investment commissioners, § 815; retirement board, § 908; board of park commissioners, § 1003; recreational advisory board, § 1005; board of contract and supply, § 1007; zoning board of review, § 1009; housing board of review, § 1010; building board of review, § 1011; city plan commission, § 1013; port commission, § 1016; general provisions for boards, authorities and commissions, § 1202; charter review commission, § 1302.

- (2) To protect and conserve the water supply of the city and other areas within its jurisdiction;
 - (3) To appoint for a period of not more than five (5) years a chief engineer who shall be a professional engineer with at least five (5) years of service as such; and to remove the chief engineer for official misconduct or failure to perform the duties of the office, after notice and hearing, by a vote of a majority of its members.
 - (4) To appoint a legal advisor, subject to the approval of the mayor, to hold office at the pleasure of the board, for the purpose of advising the water supply board upon all questions involving its official actions and business; provided that said legal advisory shall be subordinate to the city solicitor and in all litigation to which the city may be a party, said legal advisor shall be under the direction of the city solicitor.
- (b) *Chief engineer's powers and duties.* The chief engineer shall have sole charge of the city water system in every particular, being subject at all times to the prescribed orders and direction of the water supply board, and shall personally attend to all administrative and supervisory details of operating the water system subject to the orders and direction of the board. The chief engineer shall annually prepare a report for presentation to the board, mayor and city council containing a description of the general operation of the water system, a detailed statement of expenditures and income and such other data and information as the board may require.
- (Election of 11-7-06)

1102. Board of licenses.

- (a) There shall be a board of licenses which shall have and exercise such power and duties relating to licenses as may be prescribed by law or ordinance. The board shall consist of five (5) members appointed by the mayor with the approval of the city council. Of the five (5) members first appointed, two (2) shall serve a term of one year, two (2) shall serve a term of two (2) years, and one shall serve a term of three (3) years. All subse-